



County of Los Angeles CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

June 11, 2008

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To: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

A handwritten signature in black ink, appearing to be "WTF", is written over the printed name of William T. Fujioka.

SACRAMENTO UPDATE

State Budget Update

The Assembly Budget Subcommittees completed their actions on the State Budget on May 30, 2008. The full Senate Budget Committee and Subcommittees completed their actions on June 6, 2008.

On June 5, 2008, the Assembly Budget Committee issued its FY 2008-09 Subcommittee Report which addresses the State's Budget deficit by adopting a modified version of the Governor's lottery proposal and closing loopholes and tax breaks to generate an estimated \$6.4 billion in revenues. The plan proposes that the lottery securitization proceeds be deposited in a new Debt Retirement Fund to reduce some of the State's outstanding debt obligations including economic recovery bonds, transportation and education loans, local government mandates, and general obligation debt. At this point, information on the revenue proposal is very sketchy.

According to the accompanying press release, the Assembly Democrat's proposal takes a "balanced approach" to deficit reduction and it does not rely on any accounting gimmicks, rejects the more onerous of the Governor's proposed cuts to the health care and social safety net, eliminates the State's out-year structural deficit, funds education

at a level that is close to a true "workload budget", and provides for a \$1.4 billion reserve. The plan also rejects the Governor's proposed budget stabilization Constitutional Amendment.

The Assembly version of the Budget is only one of the starting points in the complex negotiation that precedes enactment of the Budget. The Governor's Budget, as modified by the May Revision, the Senate's version, and the Budget proposals of the Senate and Assembly Republican caucuses, will all define the initial boundaries in which Budget negotiations will occur. The Senate's Budget Proposal, which was released today, rejects the Governor's lottery plan and proposes \$11.5 billion in new taxes. No other details are available. It now appears that the process will begin in earnest with the start of the Budget Conference Committee on Thursday, June 12, 2008.

Senate and Assembly Budget Committees' Actions

Both the Senate and Assembly Budget Committees rejected a number of the Administration's proposals which would have the most significant impact on the County, as shown below:

Proposal	Impact on the County
Implement CalWORKs Reforms	Estimated reduction of \$105 million in cash assistance payments and potential cost shift to the County's General Relief Program ranging from \$47 million to \$105 million
Reduce County Funding for Medi-Cal Administration	Estimated County loss of \$55.3 million
Eliminate State Participation in In-Home Supportive Services provider wages above the State minimum wage rate	Potential County cost of \$48.6 million in FY 2008-09 if the County decided to maintain the existing wage rate of \$9.00 per hour
Reduce County Funding for Child Welfare Administration	Estimated County loss of \$25 million
Shift Funding for the Federal Safety Net Care Pool Payments/South Los Angeles Preservation Funds	Estimated County loss of \$24.4 million
Reduce Medi-Cal Services State Maximum Allowance Rate for Mental Health	Estimated County loss of \$23.1 million
Eliminate the Cash Assistance Program for Immigrants	Potential cost shift to the County's General Relief Program of \$13.7 million

Because both Houses took the same actions, these issues would normally not come before the Budget Conference Committee. However, Conferees have the authority to open any item in the Budget regardless of whether it is "in Conference".

The Assembly and Senate Budget Committees took separate actions to restore the reduction to the Medi-Cal Provider and Managed Care Rates adopted in February as part of the mid-year budget reductions. The Assembly voted to restore the full 10 percent reduction. The Senate voted for a five percent reduction. This issue will be discussed in the Budget Conference Committee.

Another significant issue which will be heard by the Budget Conference Committee is Public Safety and Justice Programs. The Senate Budget Committee eliminated all funding for Juvenile Probation Camps, the Juvenile Justice Crime Prevention Act, Citizens for Public Safety and the Mentally-Ill Offender Crime Reduction Grant. The Assembly Budget Subcommittee adopted the Governor's proposal to reduce funding for these programs by 10 percent which would result in a combined County loss of \$12.4 million.

Consistent with Board policy to seek restoration of State Budget reductions and other policies included in the Board-approved State Legislative Agenda for FY 2007-08, **our Sacramento advocates will support the actions of the subcommittees rejecting the Governor's proposed reductions in critical County program funding, or seek adequate mitigation if the Conference Committee recommends reductions in those areas previously rejected by the subcommittees.**

All of the budget committee actions on major issues of interest to the County are summarized in Attachment I. Additional details on the budget committee actions are contained in the narrative in Attachment II.

We will continue to keep you advised.

WTF:GK
MAL:MR:VE:mp

Attachments

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations

FY 2008-09 STATE BUDGET
Summary of Budget Committee Actions on Major Issues of Interest to the County

Issue	Description of Budget Proposal	County Fiscal Impact	Senate Sub/Committee Action	Assembly Sub/Committee Action	Conference Committee
HEALTH:					
Medi-Cal Provider and Managed Care Rates	10% Provider rate reduction (CBRC impact)		Adopted as part of mid-year cuts 2/15/08. Introduced new proposal to restore rates by 5%	Adopted as part of mid-year cuts 2/15/08. Introduced new proposal to fully restore 10% cut.	Yes
Federal Safety Net Care Pool Payments/South L.A. Preservation Fund	Proposal to shift \$54.2 million Statewide from public hospitals to other programs	(\$12,714,000)	Rejected Gov's Proposal (5/30)	Rejected Gov's Proposal (5/30)	No
California Healthcare for Indigents Program	Proposal to reduce program funding by \$9.8 million Statewide.	(24,393,000)	Approved Gov's Proposal (5/21)	Approved Gov's Proposal (5/28)	No
Medi-Cal 1931(b)	Proposal to reduce eligibility to standard from 100% FPL to 68% FPL, and less than 100 hour per month.	(\$5,300,000)	Rejected Gov's Proposal (5/30)	Rejected Gov's Proposal (5/30)	No
Medi-Cal eligibility for legal immigrants (PRUCOL)	1) Proposal to eliminate full scope Medi-Cal services for legal immigrants; 2) Proposal to restrict emergency services to the month in which the services are provided.	(\$5,000,000)	Rejected Gov's Proposal (5/30)	Rejected Gov's Proposal (5/30)	No
PUBLIC HEALTH:					
HIV/AIDS Treatment and Prevention	Proposal to reduce local assistance by \$11 million Statewide.	(1,000,000)	Rejected Gov's Proposals (5/30)	Rejected Gov's Proposals (5/30)	No
Family and Health Programs	Proposal to reduce local assistance by \$5.4 million Statewide.	(202,000)	Approved Gov's proposal	Not heard in Committee	No
Alcohol and Other Drug Programs	Proposal to reduce Alcohol and Other Drug programs by \$16.1 million Statewide through a reduction in Drug Medi-Cal providers.	(6,628,000)	Rejected Gov's proposal (5/23)	Rejected Gov's proposal (5/21)	No
Proposition 36 Program/Offender Treatment Program	10% Funding reduction.	(3,049,000)	Approved \$100M for Prop. 36 and \$25M for OTP on 4/14/08	Approved \$100M for Prop. 36 and \$25M for OTP on 4/2/08	No
Other State-Funded Programs	Proposal to reduce Drug Court funding by \$3 million and non-Drug Medi-Cal Perinatal by \$2.3 million.	(1,427,000)	Approved \$31 million for Drug Court on 4/14/08	Approved \$31 million for Drug Court on 4/2/08	No
California Children Services (CCS)	10% Funding reduction for CCS county case management.	(4,500,000)	Approved a 5% cut to payments to county medical therapy units (5/30)	Approved a 10% cut to payments to county medical therapy units	Yes
Tuberculosis Control Program	10% Funding reduction.	(151,000)	Rejected Gov's proposal (5/12)	Rejected Gov's proposal (5/28)	No
Immunization Program (Local Infrastructure)	10% Funding reduction.	(827,000)	Approved Gov's proposal (5/12)	Not heard in Committee	Yes
MENTAL HEALTH:					
State Maximum Allowance Rate Cut (Adult & Children (EPSDT) Services).	Proposal to reduce program funding by \$46.3 million Statewide.	(23,100,000)	Rejected Gov's proposal (5/21)	Rejected Gov's proposal (5/28)	No
Mental Health Managed Care Program	\$23.8 million Statewide reduction through the elimination of the annual COLA and reducing non-patient State Max. Allowance.	(7,140,000)	Rejected Gov's proposal (5/21)	Rejected Gov's proposal (5/28)	No
SOCIAL SERVICES:					
Child Welfare Services Administration	11.4% Funding reduction.	(25,000,000)	Rejected Gov's proposal (5/23)	Rejected Gov's proposal (5/29)	No
Payments to Foster Care Providers	Proposal to reduce maintenance payments to Foster Family Agencies, Group Homes, Foster Families, and others.	14,900,000	Rejected Gov's proposal (5/23)	Rejected Gov's proposal (5/29)	No

FY 2008-09 STATE BUDGET
Summary of Budget Committee Actions on Major Issues of Interest to the County

Attachment I
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Issue	Description of Budget Proposal	County Fiscal Impact	Senate Sub/Committee Action	Assembly Sub/Committee Action	Conference Committee
Adult Protective Services Administration	10% Funding reduction.	(2,600,000)	Rejected Gov's proposal (5/23) Reject cut to base funding and caseload growth, approve CODB cut w/TBL to suspend Perf. Stds (5/30)	Rejected Gov's Proposal (5/29)	No
Medi-Cal Administration	Proposal to reduce Medi-Cal county administration funding by \$152.5 million Statewide.	(55,300,000)		Reject cut to base funding, approve cut to CODB and caseload growth (5/30)	Yes
In-Home Supportive Services (IHSS) Administration	10% Funding reduction.	(7,600,000)	Rejected Gov's Proposal (5/29)	Adopted Gov's 10% cut and placeholder TBL to suspend focused eligibility reviews (5/29)	Yes
In-Home Supportive Services Program Savings	Proposal to reduce domestic and related services for higher functioning recipients.	10,400,000	Rejected Gov's Proposal (5/29)	Rejected Gov's Proposal (5/29)	No
Reduced State Participation in IHSS Wages	Proposal to reduce State participation to the minimum wage (\$8.00/hour).	(48,600,000)	Rejected Gov's Proposal (5/29)	Rejected Gov's Proposal (5/29)	No
CalWORKs Program Reforms	Proposal to reform the CalWORKs Program and achieve \$362.5 million in State savings.	(105,000,000)	Rejected Gov's Proposal (5/29)	Rejected Gov's Proposal (5/29)	No
Cash Assistance Program for Immigrants Shift to County GR Program	Proposal to eliminate CAPI benefit assistance.	(13,700,000)	Rejected Gov's Proposal (5/29)	Rejected Gov's Proposal (5/30)	No
Community Treatment Facilities Differential Rate	Proposal to eliminate \$2,500 monthly CTF differential rate for a \$1.2 million savings.	(1,500,000)	Approved \$750k on 5/21/08	Concurred with Senate recommendation 5/28/08	No
JUSTICE & PUBLIC SAFETY					
Juvenile Probation Camp Funding	10% Funding reduction.	(8,000,000)	Eliminated all funding (5/8/08)	Approved Gov's proposal for 10% cut (5/28/08)	Yes
Juvenile Justice Crime Prevention Act (JJCPA) Program	10% Funding reduction.	(3,300,000)	Eliminated all funding (5/8/08)	Approved Gov's proposal for 10% cut (5/28/08)	Yes
Citizens Option for Public Safety (COPS) Program:	10% Funding reduction.	(1,000,000)	Eliminated all funding (5/8/08)	Approved Gov's proposal for 10% cut (5/28/08)	Yes
Mentally-Ill Offender Crime Reduction Grant	10% Funding reduction.	Competitive Grant	Eliminated all funding (5/8/08)	Approved \$5 million instead of Gov's \$41 million proposal (5/28/08)	Yes
GENERAL GOVERNMENT:					
Delay of Third Installment of the Deferred Mandate Payments	Proposal to defer \$75 million Statewide for the 3rd annual installment of mandated costs incurred prior to FY 2003-04.	(14,000,000)	Sub#4 Rejected Gov's (5/27/08)	Approved Gov's proposal to defer installment (5/22)	Yes
February 2008 Presidential Primary Election	Proposal to provide \$89 million to reimburse counties for conducting the February 2008 Presidential Election.	0	Approved Gov's proposal (5/4)	Approved \$48 million (5/27)	Yes
Public Library Fund	Proposal to reduce program funding by \$5.1 million Statewide.	(190,000)	No action taken	Rejected Gov's Proposal (5/27)	Yes
Military and Veteran Affairs Programs	Proposal to reduce program funding by \$523,000 Statewide.	(29,000)	(1)	(1)	?
Subventions for Open Space (Williamson Act)	10% Funding reduction (\$3.9M statewide).	(4,000)	Reduced amount to \$1000 (5/22)	Approved Gov's proposal (5/27)	Yes
		Estimated Fiscal Impact:		(357,454,000)	

Note: (1) Unable to determine action.

Budget Committee Actions

While conformity between Senate and Assembly Budget Committee actions on budget items generally excludes an item from Budget Conference Committee consideration, conferees have the ability to open any item. This applies to any of the following items where the actions of the houses were in agreement.

Health

Medi-Cal Provider and Managed Care Rates. The Governor's Budget proposed to reduce Medi-Cal provider rates by 10 percent for a Statewide reduction of \$602.4 million for physicians and other medical and services providers and a proportionate reduction in Medi-Cal managed care rates. On February 15, 2008, the Legislature approved a modified version of the Governor's proposal which provided for a reduction of \$544.3 million effective July 1, 2008. This action resulted in an estimated County loss of \$12.7 million. On May 30, 2008, Assembly Budget Subcommittee #1 on Health and Human Services restored the 10 percent provider rate reduction by a vote of 4 to 0, assuming the availability of resources above those provided in the Governor's May Revision. On May 30, 2008, the full Senate Budget Committee restored one half of the provider rate reduction by a vote of 8 to 0. Because the action taken by the Assembly Budget Subcommittee does not conform to the action taken by the Senate Budget Committee, this issue now proceeds to the Budget Conference Committee.

Federal Safety Net Care Pool Payments/South L.A. Preservation Fund. The Governor's Budget proposes to shift \$54.2 million of Federal Safety Net Care Pool and South L.A. Preservation Fund payments from designated public hospitals to other health programs. The estimated reduction to the County is \$24.4 million. On May 30, 2008, the full Senate Budget Committee rejected this proposal by a vote of 8 to 0. On May 30, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 0.

California Healthcare for Indigents Program (CHIP). The May Revision proposes to decrease funding for CHIP and the Rural Health Services Program, which are funded by the Cigarette and Tobacco Products Surtax Fund (Proposition 99) by \$9.8 million. CHIP reimburses counties, physicians, and certain hospitals for their uncompensated care. The Department of Health Services estimates a loss of up to a \$5.3 million to the County. On May 21, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veteran Affairs adopted the Governor's May Revision by a 2 to 0 vote. On May 28, 2008, Assembly Budget Subcommittee #1 on Health and Human Services conformed to the Senate Budget Subcommittee's actions by a vote of 4 to 2.

Section 1931(b) Medi-Cal. The May Revision proposes to rollback the income eligibility level from 100 percent of the Federal Poverty Level (FPL) to 68 percent of the FPL for applicant families who currently qualify for zero share of cost Medi-Cal benefits

and to reinstate the 100 hour rule for these families. Principle wage earners who work more than 100 hours per month would not be eligible for Medi-Cal. The proposal would be phased in over 33 months for an estimated State General Fund savings of \$31.2 million in FY 2008-09 and State savings of \$342.5 million through FY 2011-12 when the proposal is fully implemented. This proposal would result in the loss of Medi-Cal benefits for approximately 43,000 parents in Los Angeles County in FY 2008-09 and approximately 157,000 parents when it is fully implemented.

The Governor's proposal does not consider increased County administrative costs to assess Medi-Cal eligibility for applicant children whose parents are not eligible. On May 30, 2008, the full Senate Budget Committee rejected this proposal by a vote of 8 to 3. On May 30, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 2 assuming the availability of additional budget resources above those in the May Revision.

Medi-Cal Monthly Reporting Requirement for Undocumented Immigrants. The May Revision proposes to implement a monthly eligibility reporting requirement for undocumented immigrants who receive emergency Medi-Cal benefits for an estimated State savings of \$42.0 million. According to the Administration estimates, this proposal would result in the loss of emergency Medi-Cal benefits for approximately 4,100 adults in the County. Based on Department of Public Social Services (DPSS) enrollment data, we believe the Administration's estimated impact may be understated. The proposal also does not include funding for additional county administrative costs to meet the monthly reporting requirement. On May 30, 2008, the full Senate Budget Committee rejected this proposal by a vote of 8 to 3. On May 30, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 2 assuming the availability of additional budget resources above those in the May Revision.

Medi-Cal Eligibility for Legal Immigrants. The May Revision proposes to eliminate full-scope benefits for newly qualified immigrants who have been in the United States for less than 5 years and immigrants who permanently reside under the color of law (PRUCOLs) for estimated State savings of \$86.7 million. On May 30, 2008, the full Senate Budget Committee rejected this proposal by a vote of 8 to 3. On May 30, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 2 assuming the availability of additional budget resources above those in the May Revision.

Public Health

HIV/AIDS Treatment and Prevention. The Governor's Budget proposes to reduce State support and local assistance by \$11 million for AIDS programs. The May Revision provides adjustments to the AIDS Drug Assistance Program (ADAP) which is \$45.4 million higher than the Governor's January Budget. On May 28, 2008, Assembly Budget Subcommittee #1 on Health and Human Services restored \$7 million to the ADAP and \$4.3 million for the Therapeutic Monitoring Program. The committee

approved \$5.2 million for education and prevention. Currently, the committee vote is not available. On May 30, 2008, the full Senate Budget Committee took action conforming to the Assembly Budget Subcommittee. The committee vote is not available.

Family Health Programs. The Governor's Budget proposes to reduce State support and local assistance funding by \$5.4 million for case management service for at-risk teens, domestic violence prevention, and education activities. This proposal would result in an estimated loss to the County of \$202,000. On May 12, 2008, the Senate Budget Subcommittee on Health, Human Services, Labor, and Veteran Affairs adopted the proposal by a vote of 2 to 0. Assembly Budget Subcommittee #1 on Health and Human Services did not hear this issue thereby adopting the Governor's proposal.

Alcohol and Other Drug Programs. The Governor's Budget proposes to reduce Alcohol and Other Drug Programs by \$16.1 million. The proposal would result in the loss of \$6.6 million to the County. On May 21, 2008 Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 2. On May 23, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veterans Affairs rejected the Governor's proposal by a vote of 2 to 1.

Proposition 36 Program/Offender Treatment Program. The Governor's Budget proposes to reduce funding by \$10 million for Proposition 36, the Substance Abuse and Crime Prevention Act of 2000 for an estimated loss to the County of \$2.55 million, and to reduce the Substance Abuse Offender Treatment Program by \$2 million for an estimated County loss of \$499,000. On April 2, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected the proposed reductions and approved \$100 million for Proposition 36 and \$25 million for the Substance Abuse Offender Treatment Program by a vote of 5 to 0. On April 14, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veterans took action to conform to the Assembly Budget Subcommittee action by a vote of 2 to 1.

Other State-funded Programs. The Governor's Budget proposes to reduce funding for Drug Courts by \$3 million for a County loss of \$643,000 and to reduce funding for the Non-Drug Court Perinatal Program by \$2.3 million for a County loss of \$606,000. This proposal also would result in an estimated loss of \$178,000 in State General Fund contributions to the County. On April 2, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected the proposed reductions and approved \$31 million for the Drug Courts by a vote of 5 to 0. On April 14, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veterans Affairs took action to conform to the Assembly Budget Subcommittee actions by a vote of 2 to 1.

California Children Services (CCS). The Governor' Budget proposes to reduce county administrative funding for CCS case management and medical therapy services by \$28.3 million. This proposal would result in an estimated loss to the County of \$4.5 million. On May 30, 2008, the full Senate Budget Committee rejected the proposed 10 percent reduction for CSS case management and medical therapy

services, and adopted a five percent reduction for CCS medical therapy services. The committee vote on this item is not available. On May 30, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected the proposed 10 percent reduction for CSS case management and adopted the 10 percent reduction for CSS medical therapy services. The committee vote on this item is not available. Because the actions taken by the Senate Budget Committee do not conform to the actions taken by the Assembly Budget Subcommittee, this item now proceeds to the Budget Conference Committee.

Tuberculosis (TB) Control Program. The May Revision retains the Governor's proposal to reduce funding by 10 percent. This proposal would result in an estimated County loss of \$151,000. On May 12, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veterans Affairs rejected the Governor's proposal by a vote of 2 to 0. On May 28, 2008, the Assembly Health and Human Services Committee rejected the Governor's proposal by a vote of 4 to 1.

Immunization Program. The May Revision retains the Governor's proposal to reduce funding by 10 percent Statewide. The estimated impact to the County is \$827,000. On May 12, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veterans Affairs rejected the Governor's proposal by a vote of 2 to 0. The committee also rejected the Governor's proposed reduction to community health center and collaborative awards. The Assembly Budget Committee did not hear this issue; therefore, this issue now proceeds to the Budget Conference Committee.

Mental Health

Mental Health – State Maximum Allowance (SMA) Medi-Cal Rates. The May Revision retains the Governor's proposal to reduce the SMA Medi-Cal rates five percent. This proposal would result in a loss to the County of \$17 million for Early and Periodic Screening, Diagnosis (EPSDT) services for mentally ill children up to 21 years of age because the County will not be able to draw down either State or Federal Financial Participation (FFP) matching funds, and \$6 million for adult mental health programs because the County will not be able to draw down FFP matching funds.

On May 21, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veteran's Affairs rejected the Governor's proposed reduction and adopted budget trailer bill language to establish the EPSDT Statewide Performance Improvement Project (PIP) to increase the quality, effectiveness and efficiency of service delivery for children who receive at least \$3,000 per month in EPSDT services in lieu of the Governor's proposal to reauthorize Day Treatment Services every six months. The committee estimates savings of 12 percent or \$29.1 million which includes \$12.5 million State General Fund, \$2.3 million County funds and \$14.5 million in FFP matching funds from implementation of EPSDT PIP. On May 28, 2008, Assembly Budget Subcommittee #1 on Health and Human Services took action to conform to the Senate Budget Subcommittee action by a vote of 5 to 0.

Mental Health Managed Care Program. The Governor's Budget proposes to reduce funding by \$23.8 million primarily by eliminating the annual cost-of-living increase and reducing the non-patient State Maximum Allowance. This proposal would impact approximately 7,000 residents in Los Angeles County and result in a County loss of approximately \$7.1 million. On May 21, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veterans Affairs rejected the Governor's proposal and reduced funding by \$5.35 million Statewide by a vote of 2 to 0. On May 28, 2008 Assembly Budget Subcommittee #1 on Health and Human Services took action to conform to the Assembly Budget Subcommittee by a vote of 5 to 1. The revised proposal would reduce the County impact to an estimated \$1.5 million.

Social Services

Child Welfare Administration. The Governor's Budget proposes to reduce funding for Child Welfare Services by 11.4 percent for a State savings of \$83.7 million. This proposal would result in a County loss of \$25 million and a reduction in services to over 37,000 children. On May 23, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veterans Affairs rejected this proposal by a vote of 2 to 1. On May 29, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected the same proposal by a vote of 4 to 0.

Payments to Foster Care Providers. The Governor's Budget proposes to reduce foster care payments 10 percent effective October 1, 2008 for a State savings of \$123.7 million. This proposal would result in an estimated County cost savings of \$14.9 million. On May 23, 2008, Senate Budget Subcommittee #3 on Health and Human Services, Labor and Veterans Affairs rejected this proposal by a vote of 2 to 1. On May 29, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 0.

Adult Protective Services Program. The Governor's Budget proposes to reduce the Adult Protective Services Program by \$11.4 million which would result in an estimated County loss of \$2.6 million. On May 23, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veterans Affairs rejected this proposal by a vote of 2 to 1. On May 29, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 0.

Medi-Cal County Administration. The May Revision adjusts the Governor's projected State savings for reduction of county Medi-Cal administration funding from \$142.2 million to \$152.5 million. The Governor's Budget proposes to: 1) reduce the county administration base by 3.67 percent, 2) eliminate funding for county caseload growth, and 3) eliminate the cost of doing business adjustment. These proposals would result in a County loss of \$55.3 million. On May 30, 2008, the full Senate Budget Committee adopted the elimination of the cost of doing business adjustment, rejected the 3.67 percent reduction to the county administration base and elimination of funding for caseload growth, and adopted trailer bill language to suspend the county performance standard penalty by a vote of 8 to 3. On May 30, 2008, Assembly Budget

Subcommittee #1 on Health and Human Services adopted the suspension of funding for county caseload growth and the cost of doing business adjustment and rejected the reduction to the county administration base by a vote of 4 to 0, subject to review in light of Budget Conference Committee decisions. Because the actions taken by the Assembly Budget Subcommittee do not conform to the actions taken by the Senate Budget committee, this issue now proceeds to the Budget Conference Committee.

Medi-Cal Eligibility. The Governor's Budget proposes to eliminate continuous 12-month eligibility for children and reinstitutes quarterly reporting for adults. This proposal would place approximately 57,000 children in Los Angeles County at risk of losing health care benefits. On April 14, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected the Governor's proposal by a vote of 4 to 2. On May 30, 2008, the full Senate Budget Committee adopted semi-annual reporting for children by a vote of 9 to 0, and approved maintaining semi-annual reporting for adults by a vote of 8 to 3. Because the action taken by the Assembly Budget Subcommittee does not conform to action taken by the Senate Budget Committee, this issue now proceeds to the Budget Conference Committee.

In-Home Supportive Services (IHSS) County Administration Funding. The Governor's Budget proposes to reduce IHSS county administrative funding by \$21.9 million which would result in an estimated County loss of \$7.6 million. On May 29, 2008, Assembly Budget Subcommittee #1 on Health and Human Services adopted this proposal by a vote of 6 to 0 with trailer bill language to suspend the county requirement to conduct focused eligibility reviews while administrative reduction is being implemented. On May 30, 2008, the full Senate Budget Committee rejected this proposal by a vote of 8 to 2. Because the action taken by the Senate Budget Committee does not conform to the action taken by the Assembly Budget Subcommittee, this issue now proceeds to the Budget Conference Committee.

IHSS Eligibility. The May Revision proposes to eliminate domestic and related services for high functioning IHSS recipients for a State savings of \$52.0 million which would result in the loss of domestic and related services for approximately 35,000 IHSS recipients in Los Angeles County and an estimated net County cost savings of \$10.4 million. On May 29, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 0. On May 29, 2008, the full Senate Budget Committee rejected the proposal by a vote of 11 to 0.

IHSS Provider Wages. The May Revision proposes to reduce State participation in IHSS wages to the current minimum wage of \$8.00 per hour effective October 1, 2008 for a State General Fund savings of \$186.6 million. The current County wage rate is \$9.00 per hour. If the County decided to maintain the current wage rate, this proposal would result in a net County cost increase of \$48.6 million in FY 2008-09 and \$64.8 million annually. On May 29, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 2. On May 30, 2008, the full Senate Budget Committee rejected this proposal by a vote of 8 to 3.

CalWORKs Reform Proposals. The Governor's Budget proposes to implement the following CalWORKs Reform proposals: 1) impose a Graduated Full-Family Sanction with a grant reduction of the child-only portion by 50 percent after an adult is non-compliant for an accumulated total of six months, and a Full Family Sanction after a second accumulated six months of non-compliance; 2) eliminate safety net benefits for timed-out families not meeting Federal work participation requirements; and 3) impose a 60-month time limit for certain child only cases. These proposals would result in the loss of benefits for approximately 84,000 children and 36,000 families in Los Angeles County and the loss of \$105 million in CalWORKs cash assistance. In addition, these proposals could result in increased County costs ranging from \$47 million to \$105 million from the shift of these recipients to the County's General Relief Program. On April 9, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected these proposals by a vote of 4 to 2. On May 29, 2008, the full Senate Budget Committee rejected these proposals by a vote of 8 to 3.

CalWORKs 2008 Cost of Living Adjustment (COLA) and Earned Income Disregard. The May Revision proposes to suspend the CalWORKs 2008 COLA. On May 29, 2008, the full Senate Budget Committee adopted the proposal to eliminate the CalWORKs COLA by a vote of 10 to 0. Also, by a vote of 10 to 0, the committee adopted a proposal by the Legislative Analyst's Office (LAO) to change the current CalWORKs earned income disregard. Currently, the first \$225 of earned income and 50 percent of each additional dollar earned is not counted for purposes of determining eligibility to CalWORKs. The LAO proposal would allow persons who meet the federal work participation requirements to retain the first \$300 earned and 50 percent of each additional dollar. The earned income disregard for CalWORKs participants who do not meet the federal work participation requirement would be limited to 50 percent of earnings. The LAO proposal is intended to increase the CalWORKs work participation rate by encouraging participants to engage in work. On May 30, 2008, Assembly Budget Subcommittee #1 on Health and Human Services adopted the proposal to suspend the CalWORKs COLA by a vote of 6 to 0; however, the committee did not adopt the LAO's earned disregard proposal. Because the action taken by the Assembly Budget Subcommittee does not conform to the action taken by the Senate Budget Committee, this issue now proceeds to the Budget Conference Committee.

CalWORKs Grant Reductions. The May Revision proposes to reduce CalWORKs grants by five percent effective October 1, 2008. On May 30, 2008, the full Senate Budget Committee rejected this proposal by a vote of 8 to 3. On May 30, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 2.

Cash Assistance Program for Immigrants (CAPI). The May Revision proposes to eliminate CAPI effective August 1, 2008 which would result in the loss of benefits for an estimated 5,600 aged and disabled legal immigrants in Los Angeles County and an estimated net County cost of \$13.7 million to cover former CAPI recipients under the General Relief Program. On May 29, 2008, the full Senate Budget Committee rejected

this proposal by a vote of 8 to 3. On May 30, 2008, Assembly Budget Subcommittee #1 on Health and Human Services Committee rejected this proposal by a vote of 4 to 2.

Food Stamp Administration. The Governor's Budget proposes to reduce county Food Stamp Administration funding by \$34.9 million. On May 23, 2008, Senate Budget Subcommittee #3 on Health and Human Services, Labor, and Veterans Affairs rejected this proposal by a vote of 2 to 1. On May 30, 2008, Assembly Budget Subcommittee #1 on Health and Human Services rejected this proposal by a vote of 4 to 2 with placeholder trailer bill language to suspend the county share of the penalties when funding is inadequate to meet program requirements. Because the Assembly Budget Subcommittee action does not conform to the action taken by the Senate Budget Subcommittee, this issue now proceeds to the Budget Conference Committee.

Community Treatment Facility (CTF) Differential Rate. The Governor's Budget proposes to eliminate the \$2,500 CTF differential rate for a State savings of \$1.2 million. CTFs serve as the community placement of last resort for the most seriously emotionally disturbed foster youth. The \$2,500 differential rate was established to encourage providers to establish CTF programs. Loss of the CTF differential rate could make these specialized treatment facilities available only to private-pay clients and could result in the institutionalization of foster youth with the most serious mental disorders in higher-cost acute care facilities, or placement in mental institutions or juvenile detention facilities with the County assuming responsibility for covering placement costs. The Department of Children and Family Services currently has about 50 youth placed in CTFs. Elimination of the CTF differential rate would result in an estimated loss of \$1.5 million to the County. On May 21, 2008, Senate Budget Subcommittee #3 on Health, Human Services, Labor and Veterans Affairs rejected the reduction and appropriated \$750,000 for CTF reimbursements to reflect a reduction in available beds from 140 to 86 by a vote of 2 to 0. On May 28, 2008, Assembly Budget Subcommittee #1 on Health and Humans Services, also rejected the reduction and appropriated \$750,000 for CTF reimbursements by a vote of 4 to 2.

Justice and Public Safety

Juvenile Probation Camp Funding. The May Revision retains the Governor's Budget proposal to reduce funding for this program by 10 percent which would result in an estimated County loss of \$8 million. On May 8, 2008, Senate Budget Subcommittee #4 on State Administration, General Government, Judicial and Transportation eliminated all funding for this program by a vote of 2 to 1. On May 28, 2008, Assembly Budget Subcommittee #4 on State Administration adopted the Governor's proposal by a vote of 4 to 2. Because the action taken by the Assembly Budget Subcommittee does not conform to the action taken by the Senate Budget Subcommittee, this issue now proceeds to the Budget Conference Committee.

Juvenile Justice Crime Prevention Act. The May Revision retains the Governor's Budget proposal to reduce funding for this program by 10 percent which would result in an estimated County loss of \$3.3 million. On May 8, 2008, Senate Budget

Subcommittee #4 on State Administration, General Government, Judicial and Transportation eliminated all funding for this program by a vote of 2 to 1. On May 28, 2008, Assembly Budget Subcommittee #4 on State Administration adopted the Governor's proposal by a vote of 6 to 0. Because the action taken by the Assembly Budget Subcommittee does not conform to the action taken by the Senate Budget Subcommittee, this issue now proceeds to the Budget Conference Committee.

Citizen's Option for Public Safety. The May Revision retains the Governor's proposal to reduce funding for this program by 10 percent which would result in an estimated County loss of \$1 million. On May 8, 2008, Senate Budget Subcommittee #4 on State Administration, General Government, Judicial and Transportation eliminated all funding for this program by a vote of 2 to 1. On May 28, 2008, Assembly Budget Subcommittee #4 on State Administration adopted the Governor's proposal by a vote of 6 to 0. Because the action taken by the Assembly Budget Subcommittee does not conform to the action taken by the Senate Budget Subcommittee, this issue now proceeds to the Budget Conference Committee.

Mentally-Ill Offender Crime Reduction Grants (MIOCR). The May Revision retains the Governor's Budget proposal to reduce funding for MIOCR grants 10 percent. The impact of this proposal on the County is not known because MIOCR grants are awarded on a competitive basis. On May 8, 2008, Senate Budget Subcommittee #4 on State Administration, General Government, Judicial and Transportation eliminated all funding by a vote of 2 to 1. On May 28, 2008, Assembly Budget Subcommittee #4 on State Administration adopted the Governor's proposal by a vote of 6 to 0. Because the action taken by the Assembly Budget Subcommittee does not conform to the action taken by the Senate Budget Subcommittee, this issue now proceeds to the Budget Conference Committee.

Early Release and Summary Parole

On June 5, 2008, the Senate Budget and Fiscal Review Committee held a hearing on issues related to the State Department of Corrections and Rehabilitation (CDCR). The committee, on a unanimous vote, rejected the Governor's Early Release and Summary Parole proposals as introduced in the Governor's January Budget. The Early Release program would free from prison those State inmates with a remaining sentence of 20 months or less. This proposal would save \$256 million in FY 2008-09 according to the Administration. The Summary Parole program would eliminate supervision of low-risk parolees including persons convicted of a non-serious or non-violent crime. The Administration estimated this program would produce \$174 million in savings in FY 2008-09.

By a vote of 8 to 4, the Committee adopted a number of alternative proposals intended to generate a total savings in FY 2008-09 of \$513.7 million. In the area of Parole Reform, the committee approved budget trailer bill language to: 1) authorize direct discharge for offenders convicted of non-serious, non-violent offenses, excluding sex offenders; 2) authorize earned discharge from parole; increase funding to reduce parole

officer ratios from 70 to 1 to 50 to 1; and establish a pilot program in 10 trial courts modeled on existing drug courts. The committee directed CDCR to implement current law and allow the early release of infirmed offenders, excluding sex offenders and violent, serious offenders. The committee also approved trailer bill language to enhance sentencing credits for offenders who complete rehabilitation programs and remain discipline free while in custody, and to adjust the value threshold for property crimes by inflation. The Senate Budget Committee actions were not adopted by the Assembly Budget Committee; therefore, this issue will now proceed to the Budget Conference Committee.

General Government

Delay of Deferred Mandate Payments. The May Revision proposes an additional decrease of \$75 million in payments reflecting a delay of the third installment of past deferred claims for mandated costs incurred prior to FY 2003-04. These payments must be fully repaid by FY 2020-21. The impact to the County is a delay of an anticipated \$14 million in mandate payments. On May 22, 2008 Senate Budget Subcommittee #4 on State Administration, General Government, Judicial and Transportation rejected the Governor's proposal by a vote of 2 to 0. On May 27, 2008, Assembly Budget Subcommittee #4 on State Administration adopted the Governor's proposal by a vote of 4 to 1. Because the action taken by the Assembly Budget Subcommittee does not conform to the action taken by the Senate Budget Subcommittee, this issue now proceeds to the Budget Conference Committee.

February 2008 Presidential Primary Election. The May Revision includes \$89.6 million in Statewide funding to offset the cost of the February 2008 Presidential Primary Election. The estimated reimbursement for the County ranges from \$18.4 million to \$22.5 million, depending on whether SB 90 reimbursable costs would be included. On May 27, 2008, Assembly Budget Subcommittee #4 on State Administration Subcommittee approved \$48 million for costs of the February Presidential Primary. On June 4, 2008, the full Senate Budget Committee approved the Governor's proposal. Because the action taken by the Senate Budget Committee does not conform to the action taken by the Assembly Budget Subcommittee, this issue now proceeds to the Budget Conference Committee.

California State Library. The Governor's Budget proposes a reduction of \$5.1 million in State support to local libraries. The reduction includes: \$1.6 million related to State operations; \$1.4 million in the transaction-based reimbursement program; and \$1.4 million in the Public Library Foundation Program. The estimated impact to the County is \$190,000. On May 30, 2008, Assembly Budget Subcommittee #2 on Education and Finance rejected the Governor's proposal by a vote of 3 to 2. On June 4, 2008, Senate Budget Subcommittee #1 on Education heard this item, but did not take a vote which means they adopted the Governor's proposal. Because the action taken by Senate Budget Subcommittee does not conform to the action taken by the Assembly Budget Subcommittee, this issue now proceeds to the Budget Conference Committee.

Military and Veterans Programs. The May Revision retains the Governor's Budget proposal to provide \$9.4 million to the California Department of Veteran Affairs (CDVA) for the construction and activation phases of the Veterans Homes in West Los Angeles and Ventura County. In addition, the May Revision retains the Governor's Budget proposal to reduce funding by \$523,000 within the CDVA for veterans' services and subvention to counties. The proposed reduction will impact outreach efforts and local assistance to the County veterans' services offices. The estimated impact to the County is \$29,000. The Committee vote is not available.

Subventions for Open Space Act. The Governor's Budget proposed a \$3.9 million reduction from the Subventions for Open Space Act (Williamson Act) Tax Relief Program. The Williamson Act authorizes any city or county to enter into a contract with the owner of agricultural land for the purpose of preserving that land in accordance with the conditions established by the Act and that contract. The estimated impact on the County is \$4,000. On May 22, 2008, Senate Budget and Fiscal Review, Subcommittee #4 on State Administration, General Government, Judicial and Transportation reduced funding to \$1,000 by a vote of 2 to 0. On May 27, 2008, Assembly Budget Subcommittee #4 on State Administration adopted the Governor's proposal by a vote of 6 to 0. Because the action taken by the Assembly Budget Subcommittee does not conform to the action taken by the Senate Budget Subcommittee, this issue moves to the Budget Conference Committee.